

IBA DRAFT FOR DISCUSSION PURPOSES ONLY

ORDINANCE NUMBER O- _____(NEW SERIES)

DATE OF FINAL PASSAGE _____

AN ORDINANCE AMENDING THE SAN DIEGO MUNICIPAL CODE BY AMENDING CHAPTER 2, ARTICLE 2, DIVISION 1, SECTION 22.0101.5, ENTITLED "PERMANENT RULES OF THE COUNCIL," BY AMENDING RULE 6.1 AND ADDING A NEW RULE 6.11.6, ALL RELATED TO A NEW AUDIT COMMITTEE.

WHEREAS, on December 6, 2006, the City Council directed the City Attorney to draft an ordinance to amend the Permanent Rules of the Council to establish an Audit Committee as a standing committee of the City Council; and

WHEREAS, under Charter section 280(a)(1) this ordinance is not subject to veto by the Mayor because this matter is exclusively within the purview of the City Council and not affecting the administrative service of the City under the control of the Mayor; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 2, Article 2, Division 1, of the San Diego Municipal Code is hereby amended by amending Section 22.0101.5, Rule 6.1, and by adding Rule 6.11.6, entitled "Audit Committee," as follows:

§ 22.0101.5 - Permanent Rules of the Council

Rule 1 through Rule 5.2. [No change in text.]

Rule 6: STANDING AND SPECIAL COMMITTEES

6.1 Creation of Standing Committees (former Rule 10)

The Council hereby creates six standing committees as follows:

(a) through (e) [No change to text.]

(f) Audit Committee -

Rule 6.2 through Rule 6.11.5 [No change to text.]

Rule 6.11.6 Audit Committee

- (a) The Audit Committee shall be composed of three voting Council members. Whenever possible, on a going forward basis, the terms of Audit Committee members should be arranged to ensure that there is always at least one experienced member of the Committee.
- (b) The Committee shall have legislative oversight responsibilities for audit work performed by and for the City including the quality of City's internal controls and practices; the accuracy of the City's financial disclosures; the conduct of performance, compliance and internal audit; and the selection and monitoring of independent audit firms.
- (c) The Committee shall work to assure maximum coordination between the work of the City Auditor, the audit needs of the chief executive officer, the legislative body and the independent audit firm.
- (d) The Committee shall also have the responsibility to:
 - (1) Meet periodically as it deems necessary.
 - (2) Develop a permanent Audit Committee Charter, review the Charter annually and recommend any proposed changes to the Charter to the governing body.
 - (3) Establish procedures to receive and respond to any complaints or concerns regarding accounting, internal controls, or auditing matters, including procedures for the confidential and anonymous submission by employees of any such "whistleblower" (hotline) complaints or concerns.

- (4) Review and evaluate the annual report on the City's disclosure controls and procedures made by the Disclosure Practices Working Group and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (5) Review the draft City financial statements prepared by the CFO; review the independent audit firm's draft management letter, together with the City's draft response to that letter; review and evaluate the annual report on the City's internal controls; and provide to the Mayor and the City Council any comments or recommendations it may have regarding these documents.
- (6) Review and evaluate the City's exercise of its obligations under federal and state securities laws with respect to securities issued by the "related entities," as defined in San Diego Municipal Code section 22.1702, and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (7) Oversee the conduct of such other studies, reviews, and public hearings on matters relating to or connected with the City's financings, disclosures, performance, compliance and internal audits and internal financial controls and procedures as

identified by the Annual Audit Work Plan; review findings and recommendations of such audits; and follow up on corrective actions to audit recommendations as deemed appropriate.

- (8) Make recommendations in preparation for the issuance of a Request for Proposals for an independent audit firm for the City, relating to appropriate expertise, experience, responsibility, and other factors on which candidates will be evaluated. The Committee shall review and evaluate all responses to a Request for Proposals for the independent audit firm to the City, and shall recommend to the City Council a candidate to be selected. The independent audit firm will be retained by, report to, and take direction from the Audit Committee and the City Council.
- (9) Review and evaluate the procedures, diligence, ability, and work product of the independent audit firm and report annually to the City Council on its findings and any recommendations it may have.
- (10) The Audit Committee, City Council, the Mayor, the IBA, the CFO, and the City Attorney may request performance and compliance audits. City officers and employees will prioritize workload according to available resources and budget and develop an Annual Audit Work Plan. The Audit Committee and City Council will review and comment on the Annual Audit Work Plan and monitor its progress on a quarterly basis.

- (11) Hold hearings on matters referred to it and to act upon them as soon as practicable.
 - (12) Hold Executive Sessions when determined necessary including for personnel matters.
 - (13) Exercise whatever authority is necessary to carry out the work related to the Committee's legislative oversight of the audit function.
- (e) The Committee may, from time to time, retain professional consultants and/ or appoint ad hoc temporary committees of citizens with professional financial expertise, or take other actions as it deems necessary to carry out the functions of the Committee.

Rule 6.12 through Rule 11 [No change to text.]

Section 2. That a full reading of this ordinance is dispensed with prior to its final passage, a written copy having been available to the City Council and the public prior to the day of its passage.